

Branch File

(77)

25 September 1974

MEMORANDUM:

SUBJECT : Poland and the Gierek Visit

Polish party chief Edward Gierek regards his coming visit to this country as the high-water mark in Polish-American relations since the end of World War II. He also sees it as the culmination of the personal effort to improve relations that he has made ever since he came to power almost four years ago. The trip gives him opportunities to

- push hard for further development of Polish-US trade. ~~He may hold out the prospect that mutual turnover could exceed \$1 billion as early as 1976.~~
- present the Polish view of contentious political issues to audiences he hopes will be basically sympathetic.
- enhance Poland's international prestige and his own image as a statesman.
- win points with the Polish people by playing on their strong friendship toward the United States.

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Warsaw has already ordered up a massive campaign of favorable publicity.

BACKGROUND

Gierek came to power on December 20, 1970, in the midst of rioting over increased food prices that toppled the regime of Wladyslaw Gomulka and threatened to bring the nation to civil war. Gierek managed to restore order by sending the army back to its garrisons, sympathizing with the workers' grievances, and promising to roll back food prices and to make the party more responsive to the needs of the people. Since then, he has won considerable support from a normally [grudging and] suspicious population, and has done so without losing the confidence of his ultimate over-lords in the Kremlin.

His success is due largely to the fact that he has made good on most of his promises. Food prices were rolled back after the riots, and the regime has held the line against any increases since that time. It has also managed to raise the living standard by streamlining the economic bureaucracy and by importing Western goods and technology on credit.

Gierek has been cautious to avoid policies that risk alienating the regime from the people. He has never insisted that the citizens become heavily engaged in party activities. Gierek prefers instead to rely on "Polish patriotism" as the

motivating force of the society. This term signifies that nationalism--always potentially explosive in Poland--can be tolerated so long as it is kept within limits that are acceptable in Warsaw and Moscow.

Gierek has been similarly careful in dealing with the church. Poland is ninety percent Roman Catholic, and he prefers to let the influence of the church erode rather than provoke a confrontation.

While he has cultivated favor among the people he rules, Gierek has strengthened his personal hold on power by easing men of his own choosing into key party and government posts. Although he is careful to consult with the other top leaders before reaching decisions, he wields the final authority. There are no discernable contenders for the top job in the current leadership and it is doubtful that any attempt to unseat him could succeed without Soviet intervention--a step Moscow would take only if it perceived a clear threat to socialism in Poland.

RELATIONS WITH THE USSR

Polish-Soviet relations are conditioned by

--the common political goals of the Communist leaderships in Warsaw and Moscow, and

--Poland's strategic importance to the USSR and the presence of two Soviet divisions in the country.

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Although mutual consent and compromise are principal factors in Polish-Soviet relations, both Gierek and ^{the} [his] Kremlin [counterparts] recognize that Communism is in power in Poland despite the popular will and not because of it. As a result, the survival of the Gierek regime is ultimately just as dependent on Moscow as was its predecessors.

Gierek has repeatedly asserted that alliance with the Soviet Union is the cornerstone of Polish foreign policy. He knows that loyalty to Moscow is largely responsible for the autonomy he has in internal policy matters. But he pays a price in return. Moscow often calls on Warsaw to promote its policy goals. This has been evident most recently in the European security and force reduction talks and in efforts to convene a conference of European Communist parties.

Nevertheless, there are some rough spots. On several occasions the Kremlin has expressed concern about Polish policies toward the church, nationalism, and relations with the West. Gierek has recently had to go through the motions of tightening up in response to Moscow's demands that detente be accompanied by increased ideological discipline in Eastern Europe.

POLISH-US RELATIONS

Under Gierek, Poland has significantly expanded its relations with the non-Communist world. Both detente and Warsaw's desire for territorial security are partly respon-

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sible, but economic considerations have been the most important. Gierek's decision to import western goods and technology was a major factor in Poland's economic successes.

Relations with the US have developed rapidly because of the large Polish-American community and because Poland has been our major trading partner in Eastern Europe. The first warming trend came during 1957 and 1958, when Gomulka hinted at internal liberalization and a more flexible foreign policy. As a result, Washington approved Polish purchases of excess agricultural commodities under PL 480 and in 1960 Poland got most-favored-nation status. Relations cooled in the 1960s as Gomulka moved closer to Soviet policy on Vietnam, the Middle East, and the Soviet invasion of Czechoslovakia.

In 1969, Warsaw followed Moscow's lead in again seeking improved relations.

Gierek stepped up the pace when he came to power. Visits to Warsaw by the Secretaries of Transportation and Commerce in 1971 paved the way for President Nixon's stopover on the way home from the Moscow summit in May 1972. The increasing contacts that followed culminated in the Gierek visit.

A major irritant in our relations has been Warsaw's role in the peace-keeping commission in Vietnam, where the Polish and Hungarian delegations have generally dragged their feet. Polish officials have tried to become more sensitive to US positions, but blame the lack of progress on Moscow.

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THE POLISH ECONOMY

The Polish economy under Gierek has made impressive gains.

--growth in GNP has averaged seven percent annually.

--food industry output has increased by an average annual rate of nine and one-half percent.

--Growth in consumer goods output now exceeds that of capital goods.

--Investment, spurred by massive imports of Western machinery and equipment on credit, has increased faster than GNP and consumption.

Despite these successes, there are some potentially serious problems:

--The rapid rise in money incomes has outstripped available goods and services.

--Rising popular expectations have led to grumbling and to isolated strikes and work slowdowns.

--Government efforts to curb inflationary pressures have not been effective.

Approximately 40 percent of Poland's foreign trade is with the West. Trade with the US has boomed, particularly since 1972 when the US-Polish Joint Trade Commission was established and Export-Import Bank credits were extended. During 1971-73, a four-fold increase in Polish imports from the US combined with only a doubling of exports to the US produced a trade surplus

with Poland in 1973 for the first time since 1964.

Although Poland seems committed to a policy of industrial expansion and modernization by importing technology, future trade prospects are clouded.

- Western inflation may have an adverse effect on Polish terms of trade;
- the industrial sector has failed to produce the planned volume of export goods; and,
- the Poles may be squeezed for hard currency as large credits extended in 1972-74 begin to fall due. Poland has already asked to defer repayments of about \$50 million of its PL-480 debt during 1975-755.

Increased trade with the West does not, however, reflect a change in Poland's economic relations with its Communist neighbors. The Soviet Union is still Warsaw's principal trading partner, and accounted for about one-fourth of Poland's imports and one-third of its exports in 1973.